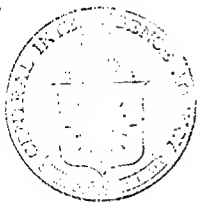


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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D. C. 20505

OFFICE OF THE DIRECTOR

5 November 1969

MEMORANDUM FOR: The Honorable William H. Sullivan
Deputy Assistant Secretary of State
for East Asian and Pacific Affairs

SUBJECT : Political Restiveness in Saigon
Occasioned by Recent GVN
Economic Decree

1. Per our discussion at the 4 November Vietnam Committee Meeting, I quote for your information the pertinent paragraph in a 2 November cable from our Station in Saigon:

Recently decreed GVN tax increases followed by panicky price rises have brought on what may be most serious political crisis in South Vietnam since Tet 68. Problem rests fundamentally in inflationary spiral which has shown 36 percent price rise in cost of living since December 68. This has had obvious impact on average wage scale and standard of living. GVN keenly aware of this inflationary problem and recognized it could devalue piastre, allow inflation run rampant or institute stringent tax increase. Decision was to raise taxes. This reflected acceptance of advice put forth by American advisors and International Monetary Fund. GVN concluded, however, that action by National Assembly to raise taxes would not be prompt enough to be effective; therefore, government resorted to Diem era decree as authority for increasing taxes by Executive Order. Government misjudged popular mood, however, and did not engage in any effective lobbying for support of its tax measures prior to their implementation. This resulted in vocal political reaction particularly in Lower House and mass hoarding which drove prices up further. While economic situation is expected to stabilize in few weeks, for first time in several years Station sources are almost unanimously

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reporting that coup atmosphere prevails and there is talk of street demonstrations. We consider coup attempt unlikely at this time. Demonstrations somewhat more likely, but GVN should be able handle them if they occur. Our data on popular discontent not concrete enough at this juncture to report as intelligence but new atmosphere is in and of itself significant. Bitter criticism of GVN which now taking place by no means limited to usual dissidents such as militant Buddhists but is also widespread among normally pro-government northern Catholics. It worth noting that, as one of Station's moderate and highly responsible assets pointed out, recent economic measures hit hardest at two pillars of regime, soldiers and civil servants. Heightened popular hostility to GVN could be taken as signal by opposition groups to push for GVN Cabinet changes which, at this time, would have particularly unsettling effect on country. Station assets tasked to watch situation closely. We have also alerted Embassy to type of "atmospherics" which we are getting from our agent sources.

2. I am also appending a copy of the 3 November edition of our biweekly report on The Economic Situation in South Vietnam. The table following page 5 gives a graphic picture of the sharp recent rise in the price of gold and green dollars on the Saigon free market. The MPC's curve tends spongily downward, but this may reflect nervousness about a new note issue.



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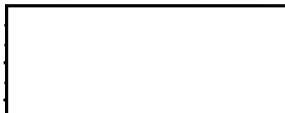
George A. Carver, Jr.
Special Assistant for Vietnamese Affairs

Attachment

copies to:

Admiral Epes
Mr. Holderidge

- 1 - Vietnam Committee w/atts
- 1 - VAS/RAC w/att
- 1 - GAC Chrono w/o att ✓
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